

Finance Committee

Fiscal Year 2002

The Finance Committee is charged with investigating all proposals affecting the finances of the Town in articles of the warrant for any Town Meeting and recommending actions to be taken on the articles. The Committee also generally makes recommendations to the Town in regard to its financial business and makes transfers from the Town's Reserve Fund to provide for extraordinary or unforeseen expenditures.

The largest part of our work is related to preparation of the operating budget and other spending recommendations for Annual Town Meeting in the spring. We carefully review the municipal, school and library budget proposals at weekly meetings held from mid-January until Town Meeting begins in late April. We consult extensively with administrators, staff and members of other boards and committees as we gather information on existing and proposed programs and services, clarify the Town's spending priorities, and identify and quantify the resources projected to be available to meet the Town's needs. Capital spending proposals are analyzed with respect to immediate cost, future debt obligations and impacts on operating budgets. The Committee also examines petition articles for possible financial impacts.

Financial Policies. The state's worsening revenue shortfall during the year has affected the amount of state aid to municipalities and, consequently, decreased the amount of revenue available for the cities and towns of the Commonwealth in fiscal year 2003 and beyond. The Finance Committee began early in the year to devise financial policy guidelines to provide a framework for financial decision-making during the difficult period we have entered. Work on the policies included consultation with the Select Board, School Committee and Jones Library Trustees. The purpose of the guidelines is to minimize disruption and reduction of Town services during difficult economic times in order to mitigate the effects of lower revenues on the people of the Town. We found them to be useful in helping us determine FY 2003 spending recommendations. Given that we expect budget decisions to be even more difficult in FY 2004, the policy guidelines should continue to be important to our deliberations.

Briefly, the four policies are:

- Retain a total of \$1,000,000 divided equally between Free Cash and the Stabilization Fund for emergency use and working capital for the capital plan.
- Manage use of reserves in support of operating budgets so that reserves will last at least three years, with FY 2004 being the second year.
- Do not divert money for the capital program to operating purposes; continue to commit 10 percent of the levy for capital spending.

- Avoid diverting money from normal maintenance and equipment replacement needs by funding through debt exclusion override any new project that would cause total capital spending to rise above 10 percent of the levy.

A more extended discussion of the policies appears in Part One of the Committee's Report and Recommendations to the 243rd Annual Town Meeting.

The Reserve Fund. Town Meeting appropriated \$85,000 for the FY 2002 Reserve Fund. The only transfer from the Fund was \$45,000 for several unexpected expenses the Amherst Elementary Schools encountered. A state-mandated bilingual program for Korean-speaking children had to be provided because of the large number of children requiring this service. In addition, there were several unusually large Special Education expenses. The remaining \$40,000 in the Fund reverts to Free Cash (one of the Town's primary "savings" accounts).

Meetings. The Committee met twenty-nine times during the year. Of these meetings, eight were held prior to town meeting sessions. One was a combined meeting with the Select Board, School Committee and Jones Library Trustees, at which the group discussed financial projections for FY 2003 and the Finance Committee's proposed financial policies. A Subcommittee on Financial Policies met once in July and once in August. Some members attended meetings with Amherst-Pelham Regional School officials and members of the Finance Committees and Select Boards of the four towns of the Region. Individual members monitored budget-related meetings of the Select Board, School Committee and Jones Library Trustees. We consider it important to understand the goals and problems of the parts of Town government for which these elected boards are responsible. We welcome the comments and questions of citizens, because their views are important to our deliberations.

Committee Members. Brenda Bright (Clerk), Carlton Brose, Alice Carlozzi (Chair), Michael Mascis, Brian Morton (Vice-Chair), Christopher Pile and Arthur Swift served on the Committee during the year. Mr. Pile left the Committee, after completing a 3-year term, because of time demands of his new position as City Auditor for Northampton. We appreciated his knowledgeable participation. We are pleased to have Matthieu Massengill join the Committee.

Assistance of Others. The Committee is especially grateful for the cooperation and assistance of the Select Board, School Committee, Jones Library Trustees, their respective administrators and many staff members during this financially difficult year. We also appreciated the cooperation of members of several other Town committees. As always, the staff of the Town Manager's office and the Finance Department provided essential support.

Nancy Maglione, Director of Administration and Finance, is our staff liaison. Because this was an especially difficult year for budget-making and financial management, we appreciated her expertise and help more than ever.

Alice Carlozzi, Chair